

THE IMPACT OF DIVIDEND PAY-OUT ON INVESTMENT OPPORTUNITIES IN GHANA

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DECLARATION

I, Thomas Osae Adadey, the writer of this mini-dissertation, do hereby proclaim that except for references to other people’s work which have been duly acknowledged, the work presented was done by me as a student of the North-West University, Mafikeng Campus.

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I give thanks to God almighty for his gift of life, strength, health and grace that has been abundantly bestowed upon me throughout the period of this work. I praise you.

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- Any errors of omission and commission are entirely mine.

ABSTRACT

The objective of this work was to seek an answer as to whether investment opportunities in Ghana are influenced by dividend pay-outs. Secondly, it was intended also to discover agency problems between corporate insiders (that is, the board of directors, managers and employees) and outside shareholders of businesses/investment companies. This research tried to unfold the relationship between the shareholders' wealth and the dividend pay-outs and analysed whether the dividend pay-out announcements affected the wealth of the shareholders. It was also aimed at finding out the effects of dividends on the performance of businesses. The study recognised that the issue of agency conflicts and agency cost is pervasive in large publicly trading firms in Ghana due to the separation of management and control of such firms. The existence of agency costs is due to free cash-flow or managerial effect aversion, and this puts firms at a competitive disadvantage as a result of sub-optimal usage of scarce resources. The study used a panel data methodology to achieve its objectives. The population and sample included twenty-seven (27) companies registered on the Ghana Stock Exchange for the period between 2011 and 2015. Secondary statistics were used. The findings of the study showed that dividend pay-outs are positive and statistically significantly related to compensation. It also found that investment opportunities are positively and statistically significantly related to compensation. Moreover, directors' shareholding representing stock compensation was positive and statistically related to investment opportunities of firms in Ghana. The results showed that variations in compensation explain variations in dividend pay-outs and investment opportunities. Directors' shareholding, which is used as a proxy for stock compensation, was shown to motivate directors to increase firm value.

Keywords: definitions, agency theory, agency costs, monitoring costs, bonding, residual loss, conflicts, moral hazards, time horizon, risk aversion, controls, factors, influences, compensation and managerial power.

TABLE OF CONTENTS

Declaration	i
Acknowledgement	ii
Abstract	iii
List of acronyms and abbreviations	iv
Table of contents	v
Chapter One: ORIENTATION	1
1.1 Introduction	11
1.2 Background to the problem statement	14
1.3 Problem statement	14
1.4 Research questions	14
1.4.1. The objectives towards reflection of the questions	15
1.5 Significance of the study	15
1.6 Limitations	16
1.7 Delimitations	16
1.8 Definition of terms	17
1.9 Plan of the study	17
1.10 Conclusion	17
Chapter two: Literature review	19
2.1 Introduction	19
2.2 Definition of agency theory	19
2.2.1 Agency costs	21

2.2.2	Monitoring costs	22
2.2.3	Bonding costs	22
2.3.4	Residual loss	23
2.3	Sources of agency conflict in firms	23
2.4	Moral-hazard agency conflicts	24
2.5	Agency conflicts due to earnings retention	25
2.6	Time horizon agency conflicts	26
2.7	Agency conflicts due to managerial risk aversion	28
2.8	Controls on agency problems	29
2.9	Common factors affecting dividend policy	31
2.10	Executive compensation	31
2.10.1	Optimal contracting view of executive compensation	31
2.10.2	Managerial power approach of executive compensation	33
2.11	Managerial influence - Pay nexus	34
2.12	Executive compensation: A mechanism for reducing agency conflict	36
2.12.1	Salary	37
2.12.2	Accounting-based bonus schemes	37
2.12.3	Executive stock options	38
2.13	Long-term incentive plans	39
2.14	Conclusion	41
Chapter Three: Research design and methodology		42
3.1	Introduction	42

3.2	Situational design	42
3.3	Research design	43
3.4	Research method	44
3.5	Research method	46
3.5.1	Population	47
3.5.2	Sample and sampling technique	49
3.6	Instruments	50
3.6.1	Questionnaire	
3.7	Data-collection procedures	
3.8	Description of data and analysis	
3.9	Conclusion	51
Chapter Four: Data presentations, analysis and discussions		53
4.1	Introduction	53
4.2	Demographics	53
4.3	Correlations	56
4.4	Discussion of regression results	58
4.4.1	Dividend pay-out model	58
4.4.2	Investment opportunities model	61
4.5	Conclusion	63
Chapter Five: Conclusion and recommendations		64
5.1	Introduction	64
5.2	Summary of findings	64

5.3	Effects on dividend pay-outs and compensation on investment opportunities in Ghana	64
5.4	Recommendations to help firms operate better and consequently maximize shareholders' wealth	65
5.5	Conclusion	66
	References	67
	Appendix A: Definitions of terms	73
	Appendix B: Correlations	78
	Appendix C: Investment model	80
	Appendix D: Consent letter	83
	Appendix E: Letter to the Chief Officers	84
	Appendix F: Interview consent form	85
	Appendix G: Letter for contact	86
	Appendix H: Research instruments	87

LIST OF TABLES

Table 3.1: Distribution of the samples as company in Ghana	48
Table 4.1: Descriptive statistics for variables in dividend model	53
Table 4.2: Descriptive statistics for variables in investment opportunities model	55
Table 4.3: Dividend model	56
Table 4.4: Correlation matrix for investment opportunities model	57
Table 4.5: GLS Panel regression: Dividend model	58
Table 4.6: GLS Panel regression: Dividend opportunities	61

LIST OF ACRONYMS AND ABBREVIATIONS

Divpay	Dividend per share
Comp	Annual Directors' remuneration
Roa	Return on assets
Mtbv	Independent variable of the model
Dshare	Percentage holding
Obs	Observation
Std	Standard deviation
Min	Minimum
Max	Maximum
GLS	Generalised least square
Boardind	Board independence
Std. Err	Standard error
NPV	Net present value
R&D	Research and Development
CEO	Chief Executive Officer
BOD	Board of Directors
LTIPs	Long-term incentive plans
ROE	Return on equity

P-Values

Parenthesis values

IOS

Investment opportunity set

CHAPTER ONE

ORIENTATION

1 Introduction

Alli, Khan and Ramirez (2011) argue that dividend policy has no effect on either the price of a firm's stock or its cost of capital. Research in the area of dividend policy has been consulted. Mba (2010) suggests that there is a relationship between dividend policy and the firm's value and it can be explained by investors' preference for dividend payments rather than the expected capital gains from stocks. This preference exists because dividends represent a sure thing, being less risky than the expected capital gains. However, Morck and Mba (2009) argue that the riskiness of the firm depends on the riskiness of the operating cash-flows and not on its dividend pay-out policy. In addition, tax preference theory comes from the favourable tax treatment of capital gains relative to dividend payments. This leads investors to prefer firms with lower pay-out ratios to firms with relatively high dividend pay-out ratios.

Therefore, managers may engage in empire-building (Jensen & Meckling, 2010). They may fail to distribute excess cash when the firm does not have profitable investment opportunities (Jensen & Meckling, 2010) and managers may entrench themselves in their positions, making it difficult to oust them when they perform poorly (Schleifer & Vishny, 2009).

Under a managerial power approach executive compensation is viewed not only as a potential instrument for addressing the agency problem but also as part of the agency problem itself. The managerial power approach sheds light on many features of the executive compensation landscape that have long been seen as puzzling by researchers working within the optimal contracting model (Holmstrom, 2011).

Another attention which was received from financial economists recently is that dividend addresses the agency problem between corporate insiders - that is, the board of directors, managers and employees and outside shareholders (Easterbrook, 2010).

Unless profits are paid out to shareholders, they may be diverted by the insiders for personal use or committed to unprofitable projects that provide private benefits for the insiders. As a consequence, outside shareholders have a preference for dividend over retained earnings (Holmstrom, 2011).

By paying dividends, insiders return corporate earnings to investors and hence are no longer capable of using these earnings to benefit themselves. According to Miller and Modigliani (2006), a bird in the hand is better than retained earnings (two birds in the bush) because the latter might never materialise as a future dividend (can fly away). Dividend payments force the company to finance some of its growth opportunities from the financial markets thereby subjecting it to further scrutiny and monitoring from creditors. Different types of models of different firms have demonstrated that agency problems can be declined by incentive compensation packages (Holmstrom, 2011).

Bhattacharyya and Fenn (2009) noted that managers can use repurchases to further their personal goals above. Therefore, they have an incentive to divert funds from investment and expenses of outside shareholders to increase the repurchase size.

Theories and explanations regarding dividend policy come in many forms and attempt to explain the dividend puzzle. These are the Bird-in-the-hand Theory, Signalling Explanations, Tax Preferences and Clientele Effect Explanations, Life-cycle Theory, Catering Theory and the Free Cash-flow Hypothesis. The free cash-flow hypothesis forms part of the basis for this study (Miller & Modigliani, 2006).

Myers (2003) argues that the value of a firm as the total of the value of assets in place and the value of options to make future discretionary investments in positive Net Present Value (NPV) projects. Firms with a large array of investment opportunities tend to be viewed favourably with a resultant positive impact on their market values. The literature has given quite lot of attention in recent years to examining the connection between investment opportunities set and corporate policy choices, including financing, dividend and compensation policies (Gaver & Gaver, 2012; Kallapur & Trombly, 2009). This body of literature on investment opportunities and compensation includes Agrawal

and Mendelker (2009) and Gaver and Gaver, (2012). This study seeks to find out how investment opportunities are influenced by dividend pay-outs in Ghana. The problem is how managers will react to being paid an increased remuneration versus a poor salary and would the managers prefer to be paid dividends rather than retain them only to spend on activities that maximise their utility.

1.2 Background to the problem statement

The notion of a dividend is one of the issues that have long been regarded by researchers as an amount distributed out of profit to the shareholders both in terms of preference shares and equity shares. Despite efforts to the contrary it has still remained a controversial issue in the area of financial management. Baker (2013) gives suggestions about the dividend: nothing, as the more you look at the picture of the cash benefit, the more it seems that it's more like a puzzle whose pieces have no resemblance to each other. There are reasons for paying or not paying dividends. Accurate detection and identification of factors affecting the dividend policy can be used by corporate managers and shareholders in Ghana.

1.3 Problem statement

The segregation of possession and jurisdiction in firms creates a gap for managers to act in ways inconsistent with the interest of shareholders of the business. This is especially the case with large publicly traded firms (Kallapur et al., 2009). The reason is that their sizes enjoin owners (shareholders) to make use of people (managers) with the needed expertise and competence in management. This separation of ownership from management results in the form of monitoring costs in Ghana.

Since shareholders do not have full knowledge of issues pertaining to the management of the firm they own, and since the quality of management actions is not observable, internal control measures are employed to serve as checks on management behaviour (Jensen, 2010). The board of directors is a typical example of what the cost of putting these checks in place in order to monitor managers constitutes - and it is part of what is

called agency cost. All costs incurred by managers that stifle shareholders' wealth maximisation also constitute agency cost.

Jensen (2010) states that when cash-flow in excess of that necessary to finance capital expenditure is left to executive discretion, the possibility is high that executives will misuse such funds either by consuming more perquisites or engaging in empire-building. This, according to Jensen (2010), represents one of the most serious agency problems between managers and shareholders in Ghana.

The problem to be investigated is the influence of dividend pay-out on investment opportunities in Ghana. The nature and modalities of dividend pay-out were investigated and their suitability and benefit on investment through dividend pay-outs in Ghana were also assessed.

1.4 Research questions

In the light of the background of the study, problem statement and the key research problem, the following subsidiary research questions would constitute the basis for data collection:

- 1) What are the nature and characteristics of dividend pay-outs on investments in Ghana?
- 2) What factors influence dividend pay-outs in Ghana and how can they be determined?
- 3) What are the effects of dividend pay-outs on investment opportunities in Ghana?
- 4) What strategies enhance investment through dividend pay-outs in Ghana?

1.4.1 The objectives towards reflection the questions

The main objective of this study is to research the impact of dividend pay-outs on investment opportunities in Ghana. The objectives of the study are as follows:

- To establish the nature and characteristics of dividend pay-outs on investment.

- To identify and establish the factors which influence dividend pay-outs on investment.
- To establish the strategies that may be used to enhance investment through dividend pay-outs in Ghana.

1.5 Significance of the study

Since Ghanaians are very interested in return on their investments, this study may be important in the following ways: it will contribute to the existing theoretical knowledge about the importance of investment in Ghana. Moreover, it will also generate discussion on the impact of investment on dividend pay-outs in Ghana which will lead to an improvement in investment opportunities in Ghana. Furthermore, it will increase the understanding of and knowledge about investment opportunities in Ghana. This may create more investment opportunities in the country. It is hoped that the research will serve as a guide to other researches who will in future investigate related aspects of dividend and investment opportunities in Ghana. It will also serve as a guide to other researchers who will in future investigate other related aspects of dividends and investment opportunities in Ghana.

1.6 Limitations

There are some limiting factors that the researcher encountered in undertaking this project which may have delayed this study. Unavailability of and access to data constituted the first limiting factor. The limiting factor here was the unavailability of audited financial statements directly from selected companies (lack of willingness) and its reliability for the entire period. Concerning this problem, the researcher managed to talk to the CEOs to assist to this regard. Another limiting factor in this study was the distance between the University and the place where the research was conducted, the time factor as well as the finances to run the study. The research was conducted in Ghana in the western part of Africa. The problem with this distance was the use of technological facilities. During the research, data were collected from Ghana and these data were processed back in the University in South Africa. The limiting factor here was

the distance between the two countries. Furthermore, interviewees were missing appointments and had little time awareness. On realising this, the researcher made appointments with interviewees well in advance so as to avoid time wastage. The purposive sampling procedure decreases the generalisability of findings; hence the generalization will be limited to the sample population

1.7 Delimitation

The research took place in Ghana, during 2010 to 2014. Twenty-seven Limited Liability Companies were selected. The companies were selected based on the fact that they were companies that were listed on the stock exchange in Ghana.

1.8 Definitions of terms

Below are some of the definitions that were used in the study:

1. Cash-flow.....Cash flow is defined as incomings and outgoings of cash, representing the operating activities of an organization. In accounting, cash flow is the difference in amount of cash available at the beginning of a period and the amount at the end of the period. Revenue or expense stream that changes cash accounts over a given period of time. Cash inflows usually arise from one of three activities - financing, operations and investing (Whitcomb, 2011).
2. Compensation.....Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. There are many different types of compensation packages that an employer will offer employees (Gerald & Kathleen, 2005).
3. Agency cost.....A type of internal cost that arises from, or must be paid to, an agent acting on behalf of a principal. Agency costs arise because of core problems such as conflicts of interest between shareholders and management. Shareholders wish for management to run the company in a way that increases shareholder value, but management may wish to grow the company in ways that maximize their personal power and wealth that may not be in the best interests of shareholders. Its

components are monitoring costs plus bonding cost plus residual cost (QFINANCE, 2009).

4. Dividend.....A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property (QFINANCE, 2009).
5. Shareholders.....Any person, company, or other institution that owns at least one share in a company. A shareholder may also be referred to as a "stockholder". Shareholders are the owners of a company. They have the potential to profit if the company does well, but that comes with the potential to lose if the company does poorly (Kernerman, 2010).
6. Bonding cost.....The cost of establishing and adhering to these systems is known as bonding cost (QFINANCE, 2009).
7. Monitoring Cost.....Monitoring costs are cost borne by owners to monitor the management of the company. Examples are board of directors' expenses (QFINANCE, 2009).

8. Residual loss.....Losses incurred in the investments fund from shareholders owing to poor strategies by management of the firm (QFINANCE, 2009).
9. Executive compensation.....This refers to rewards and benefits to senior management in firms in exchange for the value of their toil to the firm (Lindhard & Tlale, 2009).
10. Board of Directors.....A group of individuals that are elected as, or elected to act as representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues (Fransoza, 2010).
11. Financial economics.....A branch of economics characterized by a “concentration on monetary activities”, in which “money of one type or another is likely to appear on both sides of trade” (Needman & Robert, 2009).
12. Managerial shareholding.....The extent of a manager’s shareholdings in his employing firm is modelled as part (along with the extent of reliance on incentive contracting) of an ‘optimal contract’ between the manager and other shareholders. The implications are that manager shareholding will be less in firms with greater variance of shareholder income and in non-cash businesses (Thomas &Vallee, 2000).
13. Monetary benefit.....These are benefits offered to consumers, employees and organisations to encourage behaviour or actions which otherwise would not take place. A financial incentive motivates actions which otherwise might not occur without the monetary benefit (Whitcomb, 2000).
14. Investment opportunities.....The term *investment opportunities* refers to options to invest in positive net present value projects (QFINANCE, 2009).
15. Over-investment.....A situation in which the management of a publicly-traded company invests in too many projects, especially when the projects do not benefit shareholders (Wokorach, 2001).
16. Competitive advantage..... A superiority gained by an organization when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation. Competitive advantage results from matching core competencies to the opportunities (*Introduction to Business Management*, 9th Edition, 2009).

1.9 Plan of the study

The study consists of five chapters that are outlined below:

Chapter 1: Introduction to the study

Chapter one provides an introduction and background to the research, a statement of the research problems, research questions, research aims and objectives, delimitation, limitation, significance and a definition of terms and outline of the research presentation.

Chapter 2: Literature review

Chapter 2 analyses related literature underpinning this research. It also provides theories on dividend payments on investment opportunities. The chapter covers the challenges and benefits of dividend pay-outs on investment.

Chapter 3: Research methodology

Chapter three provides a brief outline of the research design and methodology. The sub-sections deal with data, data sources and population sampling design. Research analysis methods are also discussed.

Chapter 4: Data discussion

This chapter begins with a discussion of descriptive statistics models. It is followed by the correlation matrix. The correlation matrix is a pair-wise correlation computed for pairs of variables in the two respective models. The chapter ends with a discussion of the results of a generalised Least Squares (GLS) panel regression reported for the two models. These analyses would provide the basis for addressing the research questions and consequently the objectives of the study as outlined in Chapter One.

Chapter 5: Managerial guidelines and research questions answered

The findings of the study are discussed so as to see whether the objectives were reached and to come to conclusions and commendations based on the conclusions arrived at. This Chapter gives an introduction to the study and the background of the impact of dividend pay-outs on investments in Ghana. It sets out the problems and their possible solutions and the objectives and significance of the research. The next chapter gives a review of literature that was used in the research. The literature review contains sub-headings to explain this aspect of the study. Lastly, the research was completed with a conclusion of the chapter.

1.10 Conclusion

The study sought to critically investigate the influence of dividend pay-outs on investments in Ghana. In line with the research questions and research goals mentioned earlier, will give audiences a clue regarding how information can be gathered and utilised from this research paper.

Furthermore, this chapter outlines the importance of this research work to both executive directors and shareholders regarding the returns on investment schemes in Ghana. The limitations and delimitations to this research have also been highlighted in this chapter.

Finally, this chapter outlines how this research work will be organised and the vocabulary that will be used for such studies was also defined in this chapter for easy understanding.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter looks into the theoretical framework of the influence of dividend pay-outs on investments in Ghana. This is divided into various sections outlined below:

- Section one discusses some theories relating to the nature and characteristics of dividend pay-outs on investments in Ghana;
- Conceptual framework for the factors that influence dividend pay-outs in Ghana and how can they be determined;
- The effects of dividend pay-outs on investment opportunities in Ghana; and
- Strategies to enhance investment through dividend pay-outs in Ghana.

The above sections will further look into theories involving agency theory. Executive compensation such as the optimal contracting theory and the managerial power theory in Ghana is the next to be discussed. The use of compensation as a mechanism to mitigate agency costs is reviewed.

Reduction in agency costs is discussed from different points of view: The relationship between compensation and dividend is critically discussed. This is intended to outline whether compensation can stimulate managers to make pay-outs when firms have low market-to-book value ratios.

Also the compensation-investment nexus is discussed. It throws light on whether the use of compensation can ensure that managers invest in value maximising projects in Ghana. The first and second points of view look respectively at the role of compensation in reducing agency costs associated with free cash-flow and agency costs due to managerial risk and effort aversion. This chapter concludes with a summary extracting the relationships between compensation and dividend pay-outs on one hand, and compensation and investment opportunities on the other.

Keywords utilised to obtain the research articles are definitions, agency theory, agency costs, monitoring costs, bonding, residual loss, conflicts, moral hazards, time horizon, risk aversion, controls, factors, influences, compensation and managerial power.

2.2 Nature and characteristics of dividend pay-outs on investment in Ghana

2.2.1 Definition of agency theory

Pratt and Zeckhauser (2007) argue that agency theory in corporations, in which share ownership is widely held, has seen managerial actions depart from those required to maximise shareholder return (Berle & Means, 2010). In agency theory there is a supposition that explains the relationship between principals who are agents in business. The most common agency relationship in finance occurs between shareholders and company executives (Jensen & Meckling, 2010).

Jensen and Meckling (2010) argued that the interest in the theoretical and empirical aspects of modern corporate finance by formalising agency costs creates a conflict between managers and shareholders.

Dividend policy has had an interest in financial literature since Joint Stock Companies came into existence. Dividend is commonly defined as the distribution of earnings (past and present) in real assets among the shareholders of the firm in proportion to their ownership. Dividend policy refers to the pay-outs policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time (Berle & Means, 2012).

Managements' primary goal is shareholders' wealth maximisation, which translates into maximising the value of the company as measured by the price of the company's common stock. This goal can be achieved by giving the shareholders a reasonable payment on their investments. However, the impact of a firm's dividend policy on shareholder wealth is still unresolved (Bizjack & Means, 2010).

The area of corporate dividend policy has attracted attention of management scholars and economists culminating in theoretical modelling and empirical examination. Thus, dividend policy is one of the most complex aspects in finance. Three decades ago, Black (2012) in his study on dividends wrote that “the harder we look at the dividend picture the more it seems like a puzzle, with pieces that just don’t fit together such as why shareholders like dividend and why they reward managers who pay regular increasing dividend is still unanswered”.

2.2.1.1 Agency costs

As with any other costs, agency problems are usually captured by financial markets and reflected in a company’s share price. Agency cost is a type of internal cost that arises from, or must be paid to, an agent acting on behalf of a principal. These costs arise because of core problems, such as conflicts of interest, between shareholders and management. In general, the only conclusion which appears to have been suggested is that what is optimal for one firm at one point in time need not be so for another (Jensen & Meckling, 2010). In efficient and effective markets it could be argued that firms and investors will choose between these various devices based upon their optimal contracting relationships, while, at the same time, large divergences of interest by management always carry the threat of external market discipline from labour markets and market for corporate control (Pratt & Zeckhauser, 2007).

Agency costs can be seen as the value loss to shareholders arising from divergences of interests between shareholders and corporate managers. Clinch (2007) defines agency costs.

2.2.1.2 Monitoring costs

Monitoring costs are incurred when the principals attempt to monitor or restrict the actions of agents. For example, the board of directors at a company acts on behalf of shareholders to monitor and restrict the activities of management to ensure behaviour that maximizes shareholder value. Initially these costs are paid by the principal. Fama

and Jensen (2013) argue that they will ultimately be borne by an agent as their compensation will be adjusted to cover these costs.

Such monitors include institutional or block shareholders who at will can elect representatives onto the board to represent their interests. The block-holders may also sell or offload their shares to prospective takeover bids if they are satisfied that managers are not doing a good job.

2.2.1.3 Bonding costs

Given that agents ultimately bear monitoring costs, they are likely to set up structures that will see them act in shareholders' best interests, or compensate them accordingly if they do not. The cost of establishing and adhering to these systems is known as a bonding cost. They are borne by the agent, but are not always financial. They may include the cost of additional information disclosures to shareholders, but management will obviously have the benefit of preparing these themselves.

2.2.1.4 Residual loss

The interests of shareholders and managers have again not been able to be resolved. Losses incurred in the investments fund from shareholders owing to poor strategies by management of the firm. These are known as residual losses. The result of this is an optimal level or residual loss, which may represent a trade-off between overly constraining management and enforcing contractual mechanisms designed to reduce agency problems.

2.2.2 Sources of agency conflicts in firms

The recent literature, by Koutsoyiannis (2011), Kester (2009) and Lang (2010) on agency conflicts between managers and shareholders is characterised by studies that test whether the implementation of incentive compensation schemes mitigate the manager-shareholder conflict. This finding is consistent with evidence that suggests that firms must compensate according to their particular characteristics. An agency

relationship occurs when a principal hires an agent to perform some duty. A conflict, known as an 'agency problem', arises when there is a conflict of interest between the needs of the principal and the needs of the agent. In finance, there are two primary agency relationships; managers and stockholders and managers' creditors.

There are four primary mechanisms for motivating managers to act in stockholders' best interests:

- Managerial compensation;
- Direct intervention stakeholders;
- Threats of firing; and
- Threats of takeovers.

2.2.3 Moral-hazard agency conflicts

Kallapur and Trombley (2010) first proposed a moral-hazard explanation of agency conflicts. Assuming a situation where a single manager owns the firm, his incentive to consume private perquisites, rather than investing in positive net present value (NPV) projects, increases as his ownership stake in the company declines. This framework is easily applied if a company's shares are not controlled by corporate managers.

Shleifer and Vishny (2011) argue that rather than not investing, managers may normally choose investments best suited to their own personal skills and personal interest. Such investments increase or improve the value of the firm of the individual manager and increase the cost of replacing him, allowing managers to extract higher levels of remuneration from the company. Moral-hazard problems occur more generally in larger or bigger companies.

2.2.4 Agency conflicts due to earnings retention

Jensen (2010) argues that managers prefer to retain earnings, whereas shareholders prefer higher levels of cash distributions, mainly where the company has few internal positive NPV investment opportunities.

Managers' benefit from retained earnings as size growth grants a larger power base, greater prestige, and an ability to dominate the board and award themselves higher levels of remuneration.

2.2.5 Time horizon agency conflicts

Projects within the firm's project existing business operations are known as internal investment opportunities. External investment opportunities would refer to a company making a non-related take-over as an investment decision, potentially with the main purpose of diversifying operations (Dechow et al., 2007). Conflict of interest may also arise between shareholders and managers with respect to the timing of cash-flows. Shareholders will be concerned with all future cash-flows of the company into the indefinite future.

Dechow et al. (2007) examined research and development (R&D) expenditures as top executives approach retirement and found that these tend to decline. R&D expenditures reduce executive compensation in the short-term, and since retiring executives will not be around to reap the benefits of such investments, this could explain the above findings. Such a problem may also lead to management using subjective accounting practices to manipulate earnings prior to leaving their office in an attempt to maximise performance-based bonuses.

Weisbach (2008) finds that accounting earnings tend to be higher in the year prior to a Chief Executive Officer (CEO) leaving the position, and attributes such findings to the problem of earnings manipulations. Accounting earnings manipulation therefore results in agency costs to shareholders due to the demand it brings to bear on firm's earnings. Managers' benefit and enjoy from retained income earnings as the size of the organization grow.

2.2.6 Agency conflicts due to managerial risk aversion

Healy (2005) states that the encounters relating to managerial risk aversion arise because of portfolio diversification constraints with respect to managerial income.

Should private investors wish to diversify their holdings they can do so at little cost. However, company managers are more like individuals holding a single or very small number of stocks.

2.2.7 Controls on agency problem

Aggarwal and Knoe (2013) argue that when problems exist continuously within the co-operation with the dispersed share ownership will lead to conflicts.

Baumol (2008) argues that organisations will tend to substitute various mechanisms depending on unobservable characteristics of the organisations' contracting environments, since this contracting nexus varies from one organisation to the next which could be optimal for one but may not be optimal for another. Aggarwal and Knoe (2013) argue that if one specific mechanism is utilised to a lesser degree, others may be used more, resulting in equally good decision-making and performance.

2.3 Common factors influencing a dividend pay-out policy

Marianne and Sendhil (2010) argue that the availability of profit to pay dividend is a *sine qua non* of dividend policy. The whole subject of what constitutes profit is itself the topic of considerable controversy and as such lies outside the scope of this work. Suffice it to state that company law, through the statutes and cases, has imposed constraints and guidelines in terms of the directors' decisions regarding the payment of dividends. This will contribute to the existing theoretical knowledge about the important of investment in Ghana.

When considering the payment of a cash dividend, the organisational cash-flow must be taken into account. Baumol (2008) stresses that there is a liquidity constraint, even if a dividend is paid by means of bonus shares. Therefore, the impact of such an issue on the personal tax liability of the individual shareholders must be considered if a shareholder considers that the future stream (of hopefully increased) dividend will not when discounted cover the tax that he will have to pay on the scrip of dividend. He may sell shares to pay for his tax or for consumption or investment and such sales if

sufficiently widespread could depress the value of the organisation's shares. One aspect of taxation has already been mentioned above but all aspects of taxation, corporate and personal, must be regarded as relevant factors to be taken into account (Jensen, 2006). Further critiques could be seen as executive compensation and how it has been determined.

2.3.1 Executive compensation

Compensation generally serves different objectives, the main ones being to attract, retain and motivate high-potential employees (Rosen, 2012). Meanwhile, the fulfilment of those goals is subject to constraints such as the maintenance of equity in the compensation of executives, cost control and meeting legal requirements such as wage and salary legislation.

2.3.1.1 Optimal contracting view of executive compensation

In the classical principal-agent problem, a principal must delegate a task to an agent, whose incentives are not perfectly aligned with those of the principal. A partial solution to this problem is to utilise an incentive contract designed to pay the agent more when the task is performed better. Bebchuk and Fred (2010) state that executive compensation is often cited as a real-world example of a principal-agent problem since the shareholders, the principals, delegate virtually all decision rights to the Directors of the organization oversees decisions concerning managers. In this sense, then, managers are agents of the BOD and the BOD in turn are agents for shareholders.

Rosen (2012) and Kostiuk (2007) note that literature has emerged that characterises executive compensation contracts as a solution to this agency problem both theoretically and empirically. There are good theoretical and empirical reasons for concluding that managerial power substantially affects the design of executive compensation in companies with a separation of ownership and control. Executive compensation can thus be fruitfully analysed not only as an instrument for addressing the agency problem arising from the separation of ownership and control (Murphy, 2003).

Bebchuk and Fred (2010) argue that this is attributable to the fact the determination of the appropriate executive pay that induces the exertion of more effort from executives is problematic. The underlying assumption of the principal-agent model (optimal contracting view) is that the principal, in this case the shareholders, can somehow agree to an optimal contract with the agent, the managers in the case of executive compensation.

In a modern corporation, the shareholders do not contract directly with the managers. Instead, they do so indirectly through the board of directors, who act as an intermediary. Unless the board acts perfectly in the interests of shareholders, contracts will differ from those predicted by an optimal contracting model (Kostiuk, 2007). In practice, in fact, a host of issues exist that potentially distort boards' preferences from coinciding with those of the shareholders. In particular, the board of directors, rather than acting solely in the shareholders' interests, is captured by the CEO. As such, the contracts that are negotiated between the CEO and the board are not likely to be those that maximise shareholders' profits subject to the usual constraints in principal-agent problems (Bebchuk & Fred, 2010).

In terms of corporate control, managers must make organisations attractive so that potential future suppliers of finance are willing to invest. An organisation's competition in product markets also ensures that directors' actions are not at variance with shareholders' interest. Each of these markets potentially limits the extent to which directors' interests can deviate from shareholders (Bebchuk & Fred, 2010).

2.3.1.2 Managerial power approach of executive compensation

Bebchuk and Fred (2010) present an alternative approach to optimal contracting, based on the idea of managerial power inside the organisation. The idea is that the CEO has a good deal of control over the board, and this control includes the power to determine a large part of his own compensation.

Bebchuk and Fred (2010) note that market forces introduce an additional type of cost that they refer to as outrage costs. Outrageous costs occur when there are costs to the

executives and directors from a public reaction to executive compensation that is perceived as excessively high. The difference between the managerial power and principal-agent explanations is stark as is the level of pay in the principal-agent approach so that the CEO receives at least his reservation utility.

Therefore, the manager is paid just enough to keep him from leaving and going to another organisation. In contrast, the level of pay in the managerial power approach is set as possible, with the upper boundary on pay determined by public perceptions (Bebchuk & Fred, 2010). Therefore, the outcries from the public including the media serve to prevent managers from appropriating most of the resources of the organisation.

Positive relationships between power, and in particular managerial power, and compensation are generally accepted as a matter of course. The more managers receive a higher compensation the more power they can exert. It is also supported by a large amount of scientific management literature dealing with power, which is defined here as the capacity of individual actors to exert their will (Larcher, 2003).

2.3.2 Managerial influence-pay nexus

The managerial influence power approach assumes that pay will be higher and/or less sensitive to performance in organisations in which managers have relatively more power. All things being equal, according to the financial economics, managers would tend to have more power (Finkelstein & D'Aveni, 2009). The following are of importance:

- 1) The board becomes weak and ineffective ;
- 2) Outside shareholders become zero;
- 3) Institutional shareholders become fewer; and
- 4) The managers are protected by anti-takeover arrangements. There is evidence indicating that each of these factors affects pay arrangements in the way predicted by managerial power approach.

Executive compensation is higher when the board is relatively weak or ineffectual vis-à-vis the CEO. Core (2009), examining 27 public organisations during the years 2003-

2011, found that CEO compensation was higher under the following conditions: when the board is large, making it more difficult for directors to have been appointed by the CEO, and thus might feel a sense of gratitude or obligation to the CEO; and when outside directors or might have divided attention.

The presence of a large outside shareholder is likely to result in closer monitoring (Schleifer & Vishny, 2008) and thus can be expected to reduce managers' influence over their compensation. Consistent with this observation, Cyert (2000) found a negative relationship between the equity ownership of the largest shareholder and the amount of CEO compensation; doubling the percentage ownership of the outside shareholder reduces non-salary compensation by 17-19%.

The finding of Bertrand and Mullainathan (2010) was that CEOs in organisational firms that lacked 5% (or larger) external shareholders tended to receive more luck-based pay associated with profit increases that are entirely generated external factors (such as changes in oil prices and exchange rates) rather than by managers' efforts.

Bertrand and Mullainathan (2010) also discovered that, in firms that lack external shareholders, the cash compensation of CEOs is reduced less when their options-based compensation is increased. Relatively, in an examination of S&P 500 organisations during the 1992-97, Benz (2011) found that a concentration of shareholders results in a reduced number of options granted to top executives. This is an indication that shareholder concentration serves as a substitute for stock option grants to managers.

A concentration of institutional shareholders might result in monitoring and scrutiny of the CEO and the board. Examining CEO pay in almost 27 organisations during the period 2003-2011, Hartzel and Starks (2012) found evidence that the more concentrated institutional ownership is, the lower executive compensation was.

Hartzel and Starks (2002) found that the larger institutional ownership is, the lower executive compensation was and that larger institutional presence results in more performance-sensitive compensation. Examining CEO compensation in the 27 largest

companies during 2003-2014, Hermalin and Weisbach (2010) found that the effect of institutional shareholders on CEO pay depends on the types of relationships they have with the organisation. They divided institutional shareholders into:

- a) Those who have no other businesses relationships with the firm and are thus concerned only with the organisation's shares value (pressure-resistant institution) and
- b) Those who have no other business relationships with the organisation such as managing a pension fund and are thus vulnerable power approach predicts, CEO pay is negatively correlated with the presence of pressure-resistant institutional investors and positively correlated with the presence of pressure-sensitive ones.

The adoption of anti-takeover provisions makes CEOs less valuable to a hostile takeover. Borokhovich et al. (2007) examined 129 organisations that adopted anti-takeovers provisions during the period 1987-1997. It was found that CEOs of organisations adopting such provisions enjoy above-market compensation before the adoption of the anti-takeover provisions. Furthermore, such provisions enjoy above-market compensation before the adaption of the anti-takeover provisions and that adoption of these provisions increases their excess compensation.

It is not explicable by optimal contracting; indeed, if managers' jobs are more secure, shareholders should be able to pay managers a lower risk premium (Aggarwal & Knoeber 2010). There is also excess pay that managers receive as a result of their power. The difference between managers' influence enables them to obtain and what they would receive under an arm's-length arrangement. Some might think that this problem is only symbolic, and that these rents have little effect on shareholders' bottom line. But a close look at the amounts involved indicates that they add up to much more than small change (Bebchuk & Fried, 2010).

Managers have an interest in compensation schemes that camouflage the extent of their rent extraction or that put less pressure on them to reduce slack. As a result, managerial influence might lead to the adaptation of compensation arrangements that

provide weak or even perverse incentives. The extent to which managerial influence can move compensation arrangements away from optimal contracting outcomes depends on the extent to which markets participate in especially institutional investors.

2.4 Effects of dividend pay-outs on investment opportunities.

A significantly negative relationship exists between investment opportunity and dividend pay-out policy. There are, however, insignificant effects of the various measures of corporate finance namely, financial leverage, external financing, and debt maturity on dividend pay-out policy. Profitability and stock market capitalization are also identified as important in influencing dividend pay-out policy. Profitable firms are more likely to support high dividend payments to shareholders. However, firms in relatively well-developed markets tend to exhibit low dividend pay-out policy.

The dividend pay-out policy of a company affects the long term financing decisions and shareholder's wealth. High dividend pay-out may be harmful in the long term because in this case, profits cannot be used for the further expansion of the company. But this policy will be beneficial to raise the share prices in the short run (Bar-Yosef & Huffman, 2004). On the other hand, low dividends and higher retained earnings can increase long term earnings and dividends. A company's dividend policy may also be restricted by the availability of liquid funds. If only a limited amount of cash can be made available, a high dividend policy is not possible (Pandey, 2011). Profits have long been regarded as the primary indicator of a firm's capacity to pay dividends. Abor and Bokpin (2010) noted that current and past years' profits are important factors in influencing dividend payments. Firms which continually post good profits are in a better position to pay dividends to their shareholders. On the contrary, companies that perform poorly over many years are unable to sustain dividend payments to their shareholders. Baker and Weigand (2015) also found that a major determinant of dividend payment was the anticipated level of future earnings. Apart from past and anticipated future earnings, Al-Malkawi, Rafferty and Pillai (2010) noted that risk (year-to-year variability of earnings) also determines firms' dividend pay-out. A firm that has relatively stable earnings is often able to predict approximately what its future earnings will be. Such a firm is

therefore more likely to pay out a higher percentage of its earnings than a firm with fluctuating earnings.

Moreover, firms with high growth prospects use their internal funds to finance profitable projects and thus they are less likely to pay dividends (Abor & Bokpin, 2010). Also, firms with profitability trend tend to support their shareholder with high dividends whereas well-developed markets tend to support the policy of low dividend pay-out (Abor & Bokpin, 2010). Dividends may be either in the form of cash or consequential gains depending on the point of view of investors. Now the decision rests with the management of any company whether to declare dividends in the form of cash expenditures or capital gains, but it is the investors' preference really matters to the management that has a strong reputation as a market investor viewpoint.

2.5 Strategies to enhance investment through dividend pay-outs

2.5.1 Executive compensation: A mechanism for reducing agency conflict

Among financial economists, the dominant approach to executive compensation views these payment arrangements as a (partial) remedy to the agency problem. Under this approach, compensation schemes are assumed to be designed by boards seeking to provide managers with efficient incentives to maximise shareholder value. Financial economists and financial accountants have done substantial and important work within this optimal contracting model in an effort to understand executive compensation practices.

2.5.1.1 Salary

Executive salaries are most likely to be determined by the managerial labour market, along with other factors including the organisational size and the position of the manager on the corporate ladder. White (2010) contends that the equilibrium in managerial labour markets will prevent large salary cuts for poorly performing managers. Therefore, salary as an incentive mechanism will be ineffective in giving managers incentives to make value maximising decisions

2.5.1.2 Accounting-based bonus schemes

Accounting-base bonus schemes measure the performance that provides an approved mechanism for aligning managers' interests with those of the company's shareholders interest. White (2006) reports evidence of this in both retail and wholesale sector, where they found that turnover in 18 organisations increased after the introduction of accounting based-bonus schemes.

Healy (2005) argues that paying executives on the basis of accounting variables provides an incentive for management to directly manipulate the accounting system, and favours projects with short-term accounting returns at the expense of long-term positive NPV investment. Weisbach (2008) finds higher accounting earnings in the year prior to the removal of a CEO.

It stands to reason, therefore, that an organisation uses both accounting-based compensation and long-term incentive plans to make sure that managers don't focus entirely on short-term results. The maintenance of independent accounting information systems coupled with justification for using various principles in preparing final financial statements is crucial in ensuring that earnings-based executive compensation might be more effective in equating managers and shareholders' interests.

2.5.1.3 Executive stock options

The use of stock options in executive compensation plans is seen as one of the most effective and efficient means of engaging the interests of managers and shareholders, as they are seen as a substitute for managerial shareholdings. This stock option is granted to management of a company. Executive stock options offer the options holder the right to buy a certain number of company shares at a specific period of time. The higher the value of the organisation, the higher the value of the options and the profit managers can make upon exercising them. Under option-pricing theory, the value of such stock options will increase along with the risk of the organisation's underlying assets (Clinch, 2007).

Holmstorm (2009) documents that options grants comprise 10% of total compensation for UK CEOs, but 42% of total compensation in the US. While such studies provide evidence of executive compensation schemes tying the wealth of management to their shareholders, they do not provide evidence that such schemes increase shareholder wealth. However, Mehran (2006) finds a positive relationship between the percentage of CEOs total compensation package in stock options and corporate value. These points towards such compensation packages being effective means of motivating managers to act in their shareholders' best interests.

2.5.2 Long-term incentive plans

Long-term incentive plans (LTIPs) is the final method of executive incentive compensation to be discussed. Although they generally take many different forms, their common feature in advanced countries such as the US, UK and Australia is an award of stock in the company upon the achievement of long-term performance criteria, such as earnings per share growth, dividend per share, more and above a specific given percentage in the following six years or more (Mehran, 2006). In the US and UK, they tend to either take the form of restricted stock or multi-year bonus plans.

Aingh and Harianto (2009) doubt the effectiveness and efficiency of executive compensation in finding means of rewarding top management appropriately. This is the finding being by far the most important determinant of executive remuneration.

Baumol (2010) states that managers are motivated to increase their corporate power control and perks by maximising the organisation size. Schleifer and Vishny (2008) found a positive relationship between CEO compensations and the book value of the organisation's assets.

Economists can thus make a vital contribution to enhancing shareholders compensation arrangements and in turn shareholder value by evaluating and analysing the extent to which recent compensation practices deviate from those suggested by optimal contracting.

2.6 Conclusion

This study has been conducted of all these areas in first-world countries. Few studies have been conducted within the context of developing countries. Mba (2007), for instance, modelled this impact of the organisation performance on executive compensation listed on the Ghana Stock Exchange.

In a bid to solve agency problems, corporate entities employ all kinds of corporate governance structures including compensation to executives, contractual obligations that demand periodic outflow of cash such as the use of debt and electing independent members to the board of directors. All these mechanisms are put in place by shareholders in order to minimize the scope of managerial misallocation of funds and over-investment, thereby aligning the interest of both shareholders and managers. But in instituting these measures, shareholders incur considerable costs. These costs are both direct and indirect. These include the cost of monitoring, bonding and residual loss. These costs drain the resources of the organisation consequently placing the company at a competitive disadvantage.

The next chapter deals with the research methodology.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Chapter 3 provides an outline of the research design and methodology used in this study. Overall, this chapter defines the research methodology, the data-collection method chosen, types of questions that can be asked as well as development of the questionnaire, the survey population and sample size determination, data handling and concludes with a discussion of the researcher's compliance with research ethics.

3.2 Situational context

The number of chief executive officers was 27 from a sample of listed companies in Ghana. These organisations were registered on the stock exchange and were approached using the address as supplied to the stock exchange (registered address). These listed organisations were located throughout Ghana.

3.3 Research design

MacDonald and Kam (2007) define research design as a strategic framework of action that serves as a bridge between research questions and execution or implementation of the research. They further explain the research design as plans that guide the arrangement of conditions in the literature review, collection and analysis of data, such that the relevance of the research purpose is demonstrated. The schematic presentation of the research design is shown below in Figure 3.1.

Literature Review

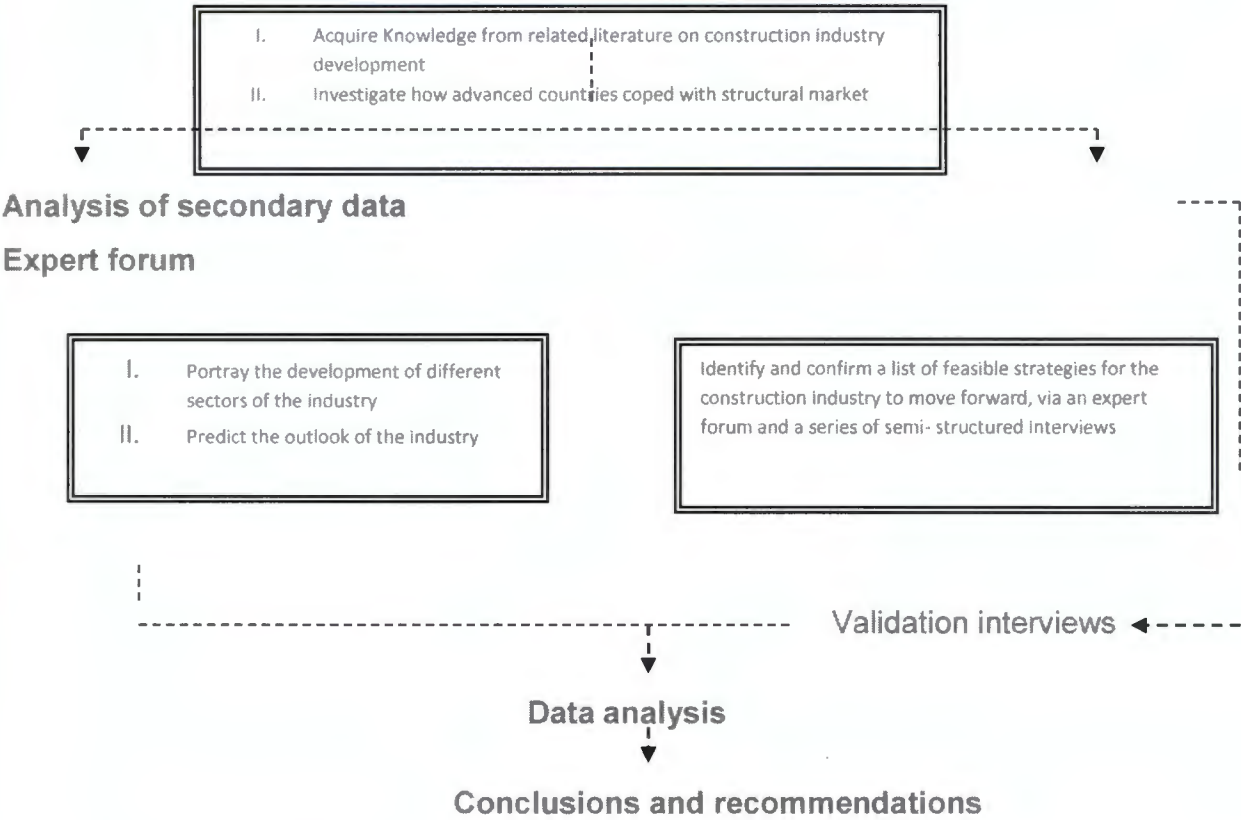


Figure 3.1: Research framework. Source: Macdonald and Kam (2007).

3.4 Research method

The three approaches to research management are qualitative, quantitative and mixed method. The mixed method is a combination of both. The quantitative approach aims to measure results conclusively and test theories (Saunders & Thornhill, 2011). The qualitative approach is subjective and prefers language and description, investigating perceptions in order to gain a better understanding of social and human behaviour (Collis & Hussey, 2009).

This research favours the quantitative approach, because the study intends to describe and reveal the nature of certain situations, settings, processes, relationships or people. The quantitative approach aims to determine the relationship between one independent

variable and a dependent variable in a population. The approach is both descriptive, in which the subjects are measured once, or experimental, in which the subjects are measured before and after the treatment.

3.5 Research methodology

3.5.1 Population

The population is restricted to all the approved administrators in terms of Section 13B of the Pension Fund Act of 1956. The reasons for selecting this particular population are primarily due to economic challenges and the time factor. The budget allocation for this research was minimal; the researcher could not afford to complete this research. The time framework to complete the research work is thus limited to the completion of questionnaires.

Secondary reasons for the population selection follow, as the selected population was expected to understand the questionnaire's terminology, as this understanding of the questionnaire items will increase the response rate (Olivier, 2011:82). To complete the questionnaire, the participant required access to Internet, and these administrators/students were expected to have access to both.

3.5.2 Sample and sampling technique

The sample size from the population was determined. A sample size of thirty-one will satisfy the central limit theorem (Lind, 2005:263-270). Some statisticians will allow a sample of thirty-one or more to be large enough for the central limit theorem to be used (Bless, 2006). When the central limit theorem applies, the normal probability distribution can be used to create confidence intervals for the population mean and perform tests of hypotheses. In addition, this will allow the researcher to be able to make payment for thirty-one participants.

Apart from the sample size, the sampling method must also ensure that the sample is representative of the population. Random sampling is a technique of probability

sampling that provides a representative sample of the population (Bryman & Bell, 2007). Random sampling uses random numbers to select the sample from the population; using random numbers prevents bias from the selection process, because each person in the population will have the same chance of being chosen (Lind, 2010:253).

The selection process will assist in performing random sampling on the chosen population and to number each of the administrators in the sample frame, then using a table of random numbers, such as in Lind (2010:722), choose any random number in the table, without studying any of the numbers. White (2011) describes *population* as all possible elements that can be included in the research.

3.6 Instrument

There are several tools designed to gather data in a quantitative approach. They include, among others, structured interviews, unstructured interviews, observation and questionnaires. The researcher opted to use questionnaires to gather information for the study to determine the opinions, attitudes, preferences, interests and perceptions of the respondents of the study. The instruments employed in the gathering of data entail communicating data-collection modes that will be used in the study (Bryman & Bell, 2007). The questionnaire was aligned with the research questions.

3.6.1 Questionnaire

The researcher decided to choose a questionnaire as the data-collection method because it has a lot of advantages as compared to other data-collection methods, such as interviews, observations and documents, etc. The advantages of using a questionnaire provide solutions to the researcher's time constraints, as there had been very limited time to collect the data and complete the research.

Questionnaires can be divided into factual questions, opinion questions and attitude questions (Kwiatkowski, 2005; Oates, 2006). Factual questions include demographic questions such as date of birth and occupation, and physically measurable questions such as how quickly a specific task was completed. Opinion questions ask about the

participant's personal beliefs or judgement. Attitude questions are contrasted to opinion questions, because participants must focus inward when answering attitude questions. Attitude questions include asking about how the participant feels when using a certain system (Kirakowski, 2005; Oates, 2006:222-223).

3.7 Data-collection procedures

Data can be classified as primary or secondary data. First time data, for a particular research project, different to the particular research and which had not been previously published is known as primary data. Primary data can provide researchers with data that are recent, accurate and appropriate. Data that have already been collected and used by someone else are known as secondary.

Quantitative data are any kind of data that can be measured numerically. Qualitative data are used to measure things precisely, such as the temperature, the number of people in a crowd or the height of a structure (Mason, 1996). Quantitative data can be analysed statistically for patterns, so that conclusions about the data can be drawn (Oates, 2006:245). The data collected in this research are primary and subjective. These data have the benefits of being current, available for statistical analysis and appropriate.

According to Mason (2006), it is important that the researcher has the correct data to analyse, because it is the basic material with which researchers work. This research required a complete list, names and contact details, of all the approved administrators in terms of section 13B of the Pension Fund Act of 1956. This information was available on the Internet. The questionnaire was delivered primarily using e-mail, and if the participant did not use e-mail, then facsimile transmission was used, after which courier services or postal services or hand delivery could be used by the researcher.

The questionnaire was self-administered, where each participant completed the questionnaire without the researcher being present. The self-administered questionnaire fitted the researcher's cost and time constraints, required no special social skills on the part of the researcher, and were suitable for literate participants.

This research did not suffer from under-coverage or voluntary response bias because random selection of a fairly small population was done. Poor measurement processes can affect the survey process which is called response bias. Response bias can be caused by leading questions and social desirability. Leading questions are loaded in a way that favours one response to a question over another response to the question. Social desirability occurs when respondents answer questions in a manner that will be viewed favourably by others. It can take the form of over-reporting good behaviour or under-reporting bad or undesirable behaviour. The tendency poses a serious problem in conducting research with self-reports, especially questionnaires. This research relies on the questionnaire's reliability and validity to minimise response bias.

3.8 Description of data and analysis

Content validity, also known as logical validity, refers to the extent to which a measure represents all facets of a given construct. This relates to whether the content of the questionnaire sufficiently covers the domain of the research. Questionnaire reliability relates to whether the questionnaire will provide the same results if given repeatedly to the same participants. This varies depending upon the purpose of the measure. It is vital that the questionnaire be both accurate and reliable, so that any inferences and conclusions about the data are necessary, relevant and appropriate.

No dry run, fine-tuning, neither pre-test nor pilot test was done on this questionnaire. The reason is that any changes made to this questionnaire will affect the questionnaire's reliability and validity. Therefore no changes could be made to this questionnaire, so any pilot test problems would be for interest only, and not part of this research; this therefore negated the need for pilot testing.

This sample was therefore selected with a particular objective in mind, and that objective reflects the particular characteristics of the CEO and their relevance to the topic of investigation. The other purpose of using purposive sampling in this study was the fact that there were no other people to select from other than the chief executive officers from the selected listed companies.

3.9 Conclusion

Chapter 3 explained the research design and methodology that was used in this research work. In this chapter, the strategy that was used in this research was presented in a motivated manner. After that, there was an analysis of the different types of survey and data that were used in this research work. Survey data-collection methods, types of survey questions were provided and their importance to this research. The questionnaire question types and validation were critically explained. Lastly, the population size and its definition and the sample size were determined, and the data handling explained.

Finally, the advantages and disadvantages were evaluated and discussed in chapter three using a questionnaire survey to evaluate website usability. Although this research is constrained by low resource availability, and the population is very small and specific, the methodology chosen for this research is appropriate for this type of research.

The next chapter, chapter four, contains a comprehensive analysis and statistical analysis of the data gathered from the research methodology described in Chapter 3.

This chapter was intended to elicit opinions of the survey respondents on the impact of dividend pay-out on investment opportunities in Ghana. The next chapter will deal with a summary of the respondents' views, tables and figures, and data gathered will be analysed and results interpreted.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

Chapter four begins with a discussion of descriptive statistical models. It is followed by the correlation matrix. The correlation matrix is a pair-wise correlation computed for pairs of variables in the two respective models. The chapter ends with a discussion of results of generalized Least Squares (GLS) panel regression reported for the two models. These analyses provide a basis for addressing the research questions and consequently the objectives of the study as outlined in the first Chapter One.

4.2 Demographics (nature and characteristics of dividend pay-outs)

The summary statistics deal with the effect of dividend pay-outs on investment opportunities in Ghana. The descriptive statistics include mean, standard deviation, minimum, median and maximum. For dividend pay-out ratio, some organisations did not make pay-outs for some periods, indicating a hundred per cent retention ratio. The highest pay-out ratio was 176% with a median pay-out of 26.10%. The statistics show that dividend pay-outs exceed earnings by as much as 75.56% for the organisations concerned. On average, however, organisations made dividend pay-outs amounting to about 32.44% of their earnings. The statistics also show considerable variation in the dividend pay-outs. The spread of dividend pay-out ratio for the period is 0.3069 and deviations from the mean of 0.144.

With regard to sales growth of firms, growth has been as high as 882.74% and as low as -99.7%. On average, firms experienced growth in sales by 39.45% for the period under consideration.

Compensation (log of directors' remuneration) to firms' directors has been widely dispersed for the various firms. This can be seen in the standard deviation of compensation. The deviation is 1.9146 from the mean value of 14.94. Directors'

compensation ranged from 9.5859 to 19.4326. The mean compensation is 13.9615 per annum for the firms in the sample.

The mean organisation's profitability as their return on asset hovered around the region of 24.04%. The minimum profitability recorded for the period was -70.14% which represents a case of net loss. Notwithstanding this negative profitability figure, there was an outstanding profitability of 1456.30%.

The market to book value ratio describes the extent to which firms have added value to shareholders' wealth since the initial value of the firm. Higher values of this ratio indicate the addition of value. According to the summary statistics for the firms under consideration, the maximum value of 6th ratio is 1.4780 meaning that the highest value added was approximately 150 times the book value of the firm concerned. The range for this ratio is 1.4780 with an average of 0.7160.

Cash available for a firm plays a large role in the amount and timing of dividend that firms make. The range for cash-flow for firms within the period is 7.3434 and 11.8922 and the average cash-flow is 9.8967. The standard deviation 1.1569 shows that there is a substantial variation or spread in cash-flow available to firms.

The average corporate tax paid for the period was 0.2483. This is an indication that firms paid 23.83% of earnings in corporate taxes. The maximum tax paid as a percentage of earnings is 56.66% while the minimum is 36.96%.

Variable	Obs.	Mean	StdDev	Min.	Median	Max
Mtbv	189	0.7240	0.2949	0.0250	0.6850	1.4780
Comp	189	13.9515	1.8156	9.5868	13.8702	19.5426
Boardind	189	0.2555	0.1320	0.09200	0.2740	0.70000
Dshare	189	0.17817	0.8592	0.0000	0.0168	11.7000
Cash	105	22.3647	4.0623	0.2312	22.9420	27.4780
Grow	152	0.4200	0.8384	0.9997	0.2571	8.8373
Roe	189	0.2914	0.2984	-0.6490	0.2330	1.9110

Table 4.2: Descriptive Statistics for Variables in Investment Opportunities Model.

This model describes the conceptual framework for the factors that influence dividend pay-outs in Ghana.

As derived from Table 4.2 above, boards on average had 26.56% of their directors being outside directors. The least independent board had 9.111% of directors being non-executive directors. The most independent board had 70% of their board members being non-executive directors.

Return equity tells us how returns to shareholders are increasing or decreasing. Average ROE for the period was 29.05% with a standard deviation of 29.75%. The lowest recorded ROE is -64.80%. The median value is 23.21% while the highest increase in returns to shareholders is 190.11%. This presents the outline of the investigation of investment opportunities in Ghana.

4.3 Correlations (effects of dividend pay-outs)

The correlation model investigates the correlation coefficient between dividend pay-outs and compensation. Table three presents the correlation coefficient of variables in the dividend model. The correlation coefficient between dividend pay-outs and compensation is 0.1999% and insignificant at the 5% level of significance.

	Divpay	Comp	Grow	Roa	Cash	Mtbv	Tax	Dshare
Divpay	1.0000							
Comp	0.1999 (0.0185)	1.0000						
Grow	-0.0068 (0.9400)	0.0128 (0.8788)	1.0000					
Roa	0.0939 (0.2721)	0.0538 (0.4611)	0.0085 (0.9198)	1.0000				
Cash	0.1927 (0.0514)	0.5366 (0.0000)	0.1099 (0.2819)	-0.0447 (0.6548)	1.0000			
Mtbv	0.0175 (0.8388)	0.1307 (0.0728)	0.0855 (0.3039)	-0.0718 (0.3269)	0.4235 (0.0000)	1.0000		
Tax	0.4031 (0.000)	0.1393 (0.0998)	0.0238 (0.7866)	0.2877 (0.0006)	0.1538 (0.1208)	-0.0455 (0.5935)	1.000 0	
Dshare	-0.0384 (0.6549)	0.0699 (0.3399)	0.0182 (0.8277)	-0.0208 (0.7748)	0.3162 (0.0012)	0.0224 (0.7612)	0.038 8 (0.64 78)	1.0000

Table 4.3: Dividend model

Table 4.3 shows a positive correlation that suggests that an increased compensation is associated with increased dividend pay-outs of listed firms. Cash-flow is positively correlated to dividend pay-outs and compensation. Market to book value ratio shows a positive correlation with cash-flow. It is also positively correlated with compensation. Tax is positively correlated with dividend pay-outs, compensation and return on assets. Directors' shareholding and cash-flow show a positive and significant correlation. The only correlation coefficient above 51%, that is 0.51, is that between cash-flow and compensation. It is therefore expected that the problem of multi-co linearity will not plague the analysis in this model. It addresses the correlation coefficient between dividend pay-outs and compensation.

	Boardind	Dshare	Comp	Roe	grow	Cash	Mtbv
Boardind	1.0000						
Dshare	0.2138 (0.0033)	1.0000					
Comp	0.1687 (0.0205)	0.0699 (0.3399)	1.0000				
Roe	0.0009 (0.9920)	-0.0043 (0.9542)	0.3678 (0.0000)	1.0000			
Grow	0.0294 (0.7198)	0.0177 (0.8293)	0.0036 (0.9656)	0.0087 (0.9163)	1.0000		
Cash	0.2598 (0.0076)	0.1216 (0.2168)	0.3102 (0.0014)	0.2871 (0.0031)	0.1108 (0.2648)	1.0000	
Mtbv	0.0786 (0.2828)	0.0224 (0.7612)	0.1308 (0.0728)	0.0871 (0.2338)	0.0738 (0.3677)	0.3097 (0.0014)	1.0000

Table 4.4: Correlation matrix for investment opportunities model

Table 4.4 indicates that the board independence is positively and statistically correlated with percentage of directors' shareholding, compensation, sales growth and cash-flow and market-to-book value ratio. It also shows and relate to the effects of dividend payouts on investment opportunities in Ghana. Return on equity is positive and related to cash-flow. Cash-flow is positive and related to market-to-book value ratio. According to Koutsoyiannis (2001), if explanatory variables are perfectly linearly correlated, that is if the correlation coefficient for these variables is equal to unity, the parameters become indeterminate. Therefore, it is impossible to obtain numerical values for each parameter separately and the method of least squares breaks down. As per the correlation matrix reported above for the two models, there is no correlation coefficient exceeding 50% and therefore the model is not plagued by multi-collinearity.

4.4 Discussion of regression results

4.4.1 Dividend pay-outs model (factors influencing dividend pay-outs)

To be able to choose the appropriate panel data estimation method, various options of panel data regression were used. Examples are the Generalized Least Square (GLS) regression, fixed effect and random effect. The results from the GLS estimation were virtually insignificant.

In effect, we report the GLS results for this study. Refer to the appendix for the regression results for the other options. This model (Dividend pay-outs model) addresses the effect of dividend pay-outs on investment opportunities in Ghana.

Table 4.5: GLS Panel Regression: Dividend Model: the effect of dividend pay-outs on investment opportunities in Ghana

Variables	coefficient	Std. Err	Z-value	P> Z
Constant	-0.343188	0.021352	-16.08	0.000
Comp	0.0044235	0.0019914	2.13	0.034
Grow	-0.085491	0.013884	-6.18	0.000
Roa	0.395814	0.023526	16.84	0.000
Cash	0.025539	0.001329	19.24	0.000
Mtbv	-0.155863	0.125413	-12.84	0.000
Tax	0.468095	0.030538	2.73	0.000
Dshare	-0.038576	0.025849	1.49	0.136
R-Square	=0.5956		No. Of Obs.	132
Wald chi 2 (7)	=39.77.64		No. Of Groups	20
Proba > chi 3	=0.00001			

Table 4.5 shows the results of the GLS regression runs for the dividend model. We observe that the constant term is negative and statistically significant. This is an indication that without a change in the other firm level characteristics, dividend pay-outs will fall by 0.3432. This further shows that firms generally have the propensity to reduce their dividend pay-out ratios. This implies that organisations that can or cannot afford dividend pay-outs will opt to reduce pay-outs of dividends. This model addresses the effect of dividend pay-outs in Ghana.

The natural log of directors' annual remuneration is used in the study as compensation. Table 5 above shows that compensation has a positive and statistically significant relationship with dividend pay-outs of firms. The statistic indicates that a 1.2% increase in compensation results in a 0.44% increase in dividend pay-outs of firms in Ghana. The fact that the coefficient is positive and statistically significant shows that compensation can be used to a large extent as a mechanism for mitigating the agency problem associated with free cash-flow. The other point worthy of note is the finding by Brennan (1995) that cash compensation alone does not provide sufficient incentives for the managers to lower agency conflicts and agency costs.

Hall and Lieberman (2008) also support the assertion by Brennan (2005) that stock-based compensation to managers is of more practical importance since it aligns shareholders' and manager interest. Results of the present study seem not to confirm the findings of Brennan (2005) and Hall and Lieberman (2008). In contrast, the present study finds that cash compensation alone affects dividend pay-out ratios of firms. Compensation can therefore be used to induce managers to disgorge excess cash-flow to shareholders by making dividend payments.

Sales growth of firms is used as a surrogate for the growth rate of firms. It takes into consideration how firms are increasing their levels of earnings. The coefficient shows a negative and statistically significant relationship with dividend pay-outs. This is in accordance with the findings by Rozeff (2002), Lloyd et al. (2005), and Amidu and Abor (2006). D'Souza (2009), however, found a positive but statistically insignificant relationship between sales growth and dividend pay-outs. According to the results of the present study, a 1% increase in sales of the organisation reduces dividend pay-outs by 8.5%.

Therefore, when sales growth rates increase managers should make provision to finance the increases for low dividend payments. As a result, firms will simply justifiably make fewer pay-outs. Return on assets (ROA) is used in this study to represent firms' profitability. The study found a positive relationship between dividend pay-outs and of organisation profitability. It shows that a 1% increase (decrease) in firms' profitability

increases (decreases) dividend pay-outs by 39.58%. Economic intuition suggests that profitable firms tend to declare higher dividends and consequently make higher dividend pay-outs.

The liquidity of cash-flow is positively associated with dividend pay-outs in this study. This relationship is significant and confirms the findings of Alli et al. (2008) and Amidu and Abor (2006). In the present study, the result is indicative of the fact that a 1% increase in cash flow leads to a 2.55% improve in dividend pay-outs. The availability of cash-flow therefore shows the firm's ability to pay dividends. Organisations of that nature reasonably have higher pay-out ratios.

The market-to-book value is used here as proxy for firms' investment opportunities. A higher value of this ratio is an indication that such businesses are adding more value to shareholders' wealth. There is a pessimistic relationship linking dividend pay-outs and market-to-book value ratios of organisations and these two variables are in line with D'Souza (2009). Amidu and Abor (2006) found a relationship that a 1.2% increase in investment opportunities of organisations with investment opportunities will make dividend pay-outs at a lower rate. Therefore, organisations tend to retain more earnings to finance growth options.

An affirmative relationship is observed between business' tax payments and their dividend payments. This means that as organisations' tax payments increase, their dividend payments also increase. This finding is in agreement with Amidu and Abor (2006). The prediction here is that when corporate tax payments increase by 1%, dividend payments increase by 46.82%.

However, because dividends are paid out of earnings after interest and taxes the corporate taxes increase and then the earnings available out of which dividends will be paid are reduced. Increased corporate taxes lead managers to make more dividend pay-outs only if they dip into other reserves such as income surplus or if they borrow to pay dividends, probably as a way of window-dressing to impress investors in order not to increase an organisational cost of financing.

Percentage directors' shareholding is negative and is not related to dividend pay-outs. The final result shows that a 1% increase in percentage directors' equity stake in the firm and that will result in a dividend pay-out of 3.87%. This result contradicts the finding of Kubo and Saito (2006) that firms with directors having higher equity stakes tend to increase pay-outs as a way of compensating themselves. The negative result here might be an indication that since directors have increased their stake in the organisation, they will rather retain more earnings for further investment which will consequently increase value and strengthen shareholder confidence.

4.4.2 Strategies to enhance investment through dividend pay-outs in Ghana

Investment Opportunity Model - Find out the effect of compensation on the market to book value of firms

Table 4.6: GLS Panel Regression: Investment Opportunities Model

Variables	coefficient	Std. Err	Z-value	P> Z
Constant	-0.19449	0.267536	-0.73	0.467
Comp	0.025626	0.010727	2.39	0.025
%D share	0.001989	0.030339	2.34	0.948
boardind	0.047277	0.132606	0.36	0.721
Roe	0.11591	0.089019	1.30	0.193
Cash	0.02438	0.008453	2.89	0.040
Grow	-0.07378	0.033555	-2.20	0.028
R-Square	=0.28	No. Of Obs.	132	
Wald chi 2 (6)	=622.97	No. Of Groups	21	
Prob. > chi 2	=0.0000			

Table 4.6 indicates the results from the investment opportunities model displayed in table 6 above showing the investment opportunity model. This model seeks to find the effect of compensation on the market to book value ratio in organisations. Market-to-book value ratio is used as a proxy of organisation investment opportunities. The constant term is -0.19448 and is insignificant. With this prediction, the implication is that there is a general tendency to decrease firm value. The value of the constant implies that with other variables holding constant value were reduced by 0.19448.

The coefficient for compensation is positively and statistically insignificant. The results show that a 1% increase in compensation increases the market-to-book value of firms by 2.58%. This is indicative of the fact that compensation and more specifically, cash compensation, induces managers to increase the organisation's value. Compensation can therefore serve as an effective motivator for managers to increase firm value. Another variable that has an impact on the market-to-book value ratio of firms is directors' share ownership. The present study shows a positive relationship between the percentage of directors' share ownership and the market-to-book value ratio of organisations which could be related to the effect of compensation on the market to book value.

The prediction tells us that a 1% increase in percentage of directors' shareholding increases an organisation's value by 0.1989%. The positive relationship is supported by Mock (2008), Hermalin and Weisbach (2012) and Aggarwal and Sanwick (2013). Studies in this area have produced mixed results. As a result executives are likely to expend extra effort to ensure that the value of shares is maximised, hence the positive association of directors' shareholding and investment opportunities of firms. Singh and Harianto (2009) also document support for increased executive share ownership because managers are less likely to make decisions that can negatively affect shareholders interest.

With respect to board independence and market-to-book value, we observe a relationship. Hossain (2011) found a positive relationship between percentages of outside directors on a board of directors' independence to increase market-to-book

value by 4.74%. Board independence is a proxy for the extent of board monitoring. It is the number of external directors and since external directors are deemed sources of independent opinion of the affairs of the company, their presence and dominance of organisation boards bring in line the interest of shareholders and managers of firms. Return on equity in the present study is found not to be related to the market value of firms. This research therefore investigates the effect of compensation on the market-to-book value of firms. The prediction, according to this study, is that for each 1% increase in firms' returns on equity, market-to-book value increases by 11.58%. This is in line with economic theory, the reason being that profitable firms tend to have more funds and could invest in research and development so as to create or recreate new products and services. On the other hand less profitable firms will have to borrow to invest in Research and Development activities.

Cash-flow is positive and related to investment opportunities of firms. The result indicates that as cash-flow increases by 1%, the market-to-book value ratio of firms' increases by 2.45%. This can be explained by the fact that the availability of cash-flow tends to make firms more liquid. Thus, the probability that such firms will be cash-constrained is small. As such, creditors and shareholders' make funds available for such firms for positive NPV projects. The firm is also able to take advantage of investment opportunities as and when they arise due to increased internal liquidity. Sales growth is negative and statistically related to market book value ratio of firms. The results from the above figures show that as sales growth increases, market to book value ratios of firms improve.

4.5 Conclusion

Moreover, increases in firm sales may even be attributable to accounting manipulation by managers to ensure that their rewards are duly increased when sales increase. Under circumstances where managers' salaries are tied to sales increases, lax credit policies may be used to increase sales without necessarily increasing firm value. In such cases, there will be a negative relationship between sales growth and market-to-book value ratio of organisations.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study has found that there is a relationship between dividend pay-outs and compensation. It is positively and statistically significant. This suggests that an increase in directors' remuneration increases dividend pay-outs. The issue of reducing agency cost of free cash-flow by properly compensating directors as per the finding of this study is therefore not farfetched.

5.2 Summary of findings

Control variables used in the dividend pay-outs model are firms' sales growth, market-to-book value ratios, corporate tax payments, cash-flow and return on assets. Cash-flow, return on assets and corporate tax payments showed an affirmative relationship. The market-to-book value ratio and sales growth show a negative and statistically non-significant relationship. Percentage of directors' shareholding is the only control variable which showed no relationship with dividend pay-outs. A negative relationship is observed.

5.3 Effects on dividend pay-outs and compensation on investment opportunities in Ghana

In the second model, firms' investment opportunities whose proxy is market-to-book value ratio showed a positive relationship with compensation. By implication, increases in compensation induce managers to increase firm value. The control variables are independence, percentage of directors' shareholding, return on equity, cash-flow and sales growth. Sales growth showed a negative relationship with market-to-book value ratios. Cash-flow and directors' shareholding were positive. This shows clearly that dividend pay-outs can have either negative or positive impacts on investment opportunities in Ghana.

5.4 Recommendations to help firms better operate and consequently maximise shareholders' wealth

Based on the findings above, the following recommendations are appropriate. The recommendations are intended to help firms better operate and consequently maximise shareholders' wealth.

❖ Compensation as a mechanism in controlling managers' behaviour

Compensation as a mechanism is effective in controlling managers' behaviour and as such should be used with tact and discretion to reduce the agency cost associated with free cash-flow.

❖ Stock base compensation as a means to motivate employees

The use of cash compensation should be done in careful conjunction with stock-based compensation. This will ensure that members of the board directors as well as other managers are sufficiently motivated to make dividend pay-outs when positive net present value is non-existent. A stock reward from time to time is also appropriate as it will motivate managers to increase dividend pay-outs since they (managers) stand to benefit or lose when dividend are paid or not paid. It will ensure that managers do not 'ride on the backs' of shareholders, but will rather put in more effort to make money with shareholders.

❖ Compensation as a tool to maximise firm value

Compensation can also induce managers to maximise firm value. In that regard, compensation as a mechanism can be used to reduce the agency cost associated with free cash-flow and to increase firm value. Firms should ensure that managers are well compensated in fixed salary and bonuses

❖ **Corporate governance mechanisms as a means to complement executive compensation**

The magnitude of dividend pay-outs due to a boost in compensation is small. As such, it would be useful if firms employed other corporate governance mechanisms to complement executive compensation. This will provide ample checks on management decisions in the quest to maximise shareholders' wealth has been practised in India.

5.5 Conclusion

Agency problems have bedevilled large publicly trading firms. This is as a result separation of ownership and control. Agency problems lead to agency costs that place firms at competitive disadvantages both nationally and globally. Many mechanisms have been advanced as remedies for solving agency problems. Among these mechanisms is compensation to managers. Compensation has been acclaimed in the finance literature as a remedy to the agency problem of free cash-flow and the agency problem of effort aversion such as compensation increases dividend payable thereby allowing free cash flow to reduce and by implicating the amount of cash-flow that can be suboptimal utilised by managers. Additionally, compensation also encourages managers to exert more effort in the running of the organisation.

The present study shows that with the inevitable separation of ownership from management in firms, compensation can help reduce agency costs. Theoretically, agency cost of free cash-flow and agency cost of effort aversion can effectively be reduced with the use of compensation. In theory, therefore, excessive free cash-flow in the firm can be reduced by increasing directors' compensation which in return prevents them from disgorging cash-flow in the form of dividend pay-outs. Additionally, the theoretical relationship established between compensation and investment opportunities shows that firms will increase value by increasing compensation.

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APPENDIX A: Correlations

Fixed-effect panel regression

Variable	Co-efficient	Standard Error	T	P> t
Constant	0.8751395	0.7080695	1.26	0.222
Compensation	-0.0308898	0.0334183	-0.94	0.358
Grow	-0.013408	0.044897	-0.33	0.768
Return on asset	0.1353048	0.1670255	-0.83	0.423
Cash	-0.0048178	0.0274168	-0.18	0.863
Dependent variable of the model	-0.1503438	0.1627038	-0.94	0.359
Tax	0.2050508	0.1833597	1.14	0.269
R-square	0.0306			
Within	0.0655			
Between	0.0228			
F(6.72)	0.87			
prob> F	0.5438			

Dividend model (random effect) panel regression

Variable	Co-efficient.	Standard Error	Z	P> 1
Constant	-0.1898556	0.3082185	-0.63	0.539
Compensation	-0.0002868	0.0216367	-0.02	0.988
Grow	-0.590802	0.0424317	-1.38	0.165
Return on asset	0.2633235	0.1524008	1.74	0.085
Cash	0.224527	0.0144658	1.56	0.122
Dependent variable of the model	-0.1635118	0.112077	-1.47	0.146
Tax	0.3761718	0.1695957	2.23	0.028
R-squared	0.2908			
Within	0.0414			
Between	0.5964			
Wild chi 2 (6)	18.48			
Prob.>chi 2	0.00052			

Hausman's specification test: Dividend model

	(b) Fixed	(B)	(b-B) Difference	Sqrt (V-b-V-b)
Comp.	-0.0308898	-0.0002868	-0.030604	0.0254682
Grow	-0.013408	-0.0590802	0.0456712	0.0146672
Return on equity	0.1353048	0.2633235	-0.128017	0.0683482
Cash	-0.0048178	0.224527	-0.0272705	0.0232899
Dependent variable of the model	-0.1503438	-0.1635118	0.013169	0.1179467
Tax	0.2050508	0.3761717	-0.1711209	0.0696995

Test Ho: difference in coefficients not systematic

$$X^2 (6) = (b-B)' [(V-b-V-B)] (b-B)$$

$$= 15.04$$

$$\text{Prob.}>X^2 = 0.0198$$

Appendix B: Investment model

Fixed-effect regression

Variables	Co-efficient	Standard Error	T	P> t
Constant	0.4600542	0.3388177	1.37	0.179
Compensation	0.00095705	0.0183078	0.53	0.603
% shareholding	0.0145958	0.014729	0.98	0.325
Boarding	0.425824	0.9707353	0.45	0.663
Return on equity	0.0046788	0.0128003	0.38	0.716
Total dividend	-0.0095146	0.229119	-0.43	0.678
R-squared	0.0055			
Within	0.0182			
Between	0.0078			
F (5.99)	0.38			
Prob.>F	0.08715			

Random effect panel regression

Variable	Coefficient.	Standard Error	Z	P> Z
Constant	0.4925528	0.2446544	2.02	0.005
Comp.	0.0167407	0.0167408	0.84	0.408
% shareholding	0.0141934	0.0147299	0.97	0.336
Boardind	0.1271477	0.3716228	0.35	0.733
Return on equity	0.0027148	0.0127655	0.22	0.833
Total dividend	-0.0079959	0.022616	-0.36	0.725
R-squared	0.0123			
Within	0.0166			
Between	0.0178			
Wald chi 2 (5)	2.02			
Prob. >X ²	0.8475			

Hausman's specification test: Dividend model

	Coefficient (b) Fixed	Coefficient (B)	(b-B) Difference	Sqrt diag. (V-b- V-B) S-E
Compensation	0.0095705	0.0138191	-0.0042488	0.0074112
% shareholding	0.0145958	0.0141932	0.0004026	-
Boardind	0.425824	0.1271477	0.2986755	0.896786
Return on equity	0.0046788	0.0027148	0.001965	0.0009428
Total dividend	-0.0095146	-0.0079959	-0.0015188	0.0036759

Test: H: difference in coefficients not systematic

$$X^2(5) = (b-B)' [(V-b-V-B) \wedge (-1)] (b-B) = -0.55$$

Distribution of the sample as company in Ghana

NUMBER	NAME OF COMPANY	NUMBER OF CEO
A	Company 1	1
B	Company 2	1
C	Company 3	1
D	Company 4	1
E	Company 5	1
F	Company 6	1
G	Company 7	1
H	Company 8	1
I	Company 9	1
J	Company 10	1
K	Company 11	1
L	Company 12	1
M	Company 13	1
N	Company 14	1
O	Company 15	1
P	Company 16	1
Q	Company 17	1
R	Company 18	1
S	Company 19	1
T	Company 20	1
U	Company 21	1
V	Company 22	1
W	Company 23	1
X	Company 24	1
Y	Company 25	1
Z	Company 26	1
ZA	Company 27	1
		Total= 27

Appendix C: CONSENT LETTER

CONSENT OF PARTICIPANTS

I----- (full names of the CEO) agree to participate freely in the research. I have accepted that the objective and reason of the work were explained to me. I was also informed by the researcher that my name will not be used in the research report.

Signature of the CEO

Date

Appendix D: LETTER TO THE CHIEF EXECUTIVE OFFICERS

GRADUATE SCHOOL OF BUSINESS & GOVERNMENT LEADERSHIP

Private Bag X2046

Mmabatho, 2735

Republic of South Africa

Date: 15 October, 2016

Dear Sir/ Madam,

**PERMISSION TO CONDUCT RESEARCH ON THE INFLUENCE OF DIVIDEND PAY-
OUTS ON INVESTMENT OPPORTUNITIES IN GHANA**

I am asking for your permission to collect data in your company towards the completion of a research project on the effect of dividend pay-outs on investment opportunities in Ghana.

The research is towards a Master's in Business Administration. Confidentiality will be observed throughout the data-collection process and the collected information will be used for purposes of the study. No reference will be made to the company or the employees that will participate in the study. I would therefore be grateful to receive your co-operation and assistance in this regard.

Yours faithfully,

T.O. Adadey

Appendix E: Interview consent form

This research is being conducted by Thomas Osae Adadey towards a Master's in Business Administration with the North-West University in South Africa.

Purpose: This study investigates the effect of dividend pay-outs on investment opportunities in Ghana.

Participants: Chief Executive Officers in Listed Limited Liability Companies in Ghana.

Procedure: You will attend an interview on the effect of dividend pay-out on investment opportunities in Ghana. The discussion takes approximately 25- 45 minutes. Participation in this study is completely voluntary.

Risks and benefits: There are no known risks associated with this study. The results obtained may eventually assist investors in making decisions in Ghana on how to invest and where to invest.

Compensation and rewards: There is no reward or compensation concerning this interview.

Voluntary participation: Participation in this interview is voluntary. Non-participation will not result in any penalty. Withdrawal will in no way prejudice your future interaction with personnel conducting this interview.

Confidentiality: All identifying information obtained from this study will be kept strictly confidential, except as may be required by law or by permission from the interviewees. Data files will not contain potentially identifying information.

Consent: I have read and understood the above information, have had my questions answered satisfactorily, and I willingly consent to participate in this study. I understand that if I should have any questions about my rights as a research subject, I can contact the North-West University at the Graduate School of Business and Government Leadership, Mafikeng Campus.

Appendix F: Letter for contact



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
MAFIKENG CAMPUS

Graduate School of Government Leadership

Private Bag X2046

Mmabatho, 2735

Republic of South Africa

I can contact the investigator, Mr Thomas Osae Adadey

By email: adadeythomas@yahoo.com. By phone at 0027833595425, I have received a copy of this consent form.

Participant's name; _____

Signature; _____

Appendix G: Research Instruments

Research Instruments 1

An interview schedule for the CEOs

Position-----

Occupation-----

Name of the Company-----

Gender-----

1. History of the company

- ☐ When was this company established?
- ☐ Who were the promoters?-
- ☐ What was the main objective for the establishment of this company?
- ☐ How much was the company's first profit as declared by the Board of Directors?

2. What is/ was the dividend term used by the company? _____

3. How frequently does your company pay dividend to the shareholders?

- ☐ Monthly
- ☐ Quarterly
- ☐ Bi-annually
- ☐ Annually
- ☐ Other, please specify_____

4. Prior to the proposal of dividends, does your company have a specific means of dividend payment?

- ☐ Yes
- ☐ No

5. What were some of the challenges you have encountered with the mode of dividend pay-out in company? _____

6. What was the rate of dividend payable on investment? _____

7. Did the shareholders require anything additional?

- ☐ Yes
- ☐ No

8. Did the increase in productivity increase in the profitability of the company?

- ☐ Yes
- ☐ No

9. Did dividend pay-outs policy led to effective cost allocations?

- ☐ Yes
- ☐ No

10. Are there any effects on the dividend pay-outs policy on the shareholder's equity?

11. How does liquidity affect the company's dividend policy?

12. Any other benefits that you deriving from your investment? _____

13. What are some of the challenges associated with dividend pay-outs on investment?

14. Which steps has the Board of Directors put in place to improve dividend pay-outs in the company? _____

15. Is there any Relationship between dividend pay-outs and compensation in the company?

- ☐ Yes
- ☐ No